

WAYNE COUNTY
SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

for the year ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Wayne County School District
Monticello, Kentucky 42633

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wayne County School District as of and for the year ended June 30, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedules of District's proportionate share of net pension liabilities and schedules of required contributions on pages 3 through 7 and 44 thru 49 will be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 7, 2016 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Barry D. Daulton, CPA, PSC

Somerset, Kentucky

November 7, 2016

Wayne County Public School District-Monticello, Kentucky
Management's Discussion and Analysis (MD & A)
Year ended June 30, 2016

As management of the Wayne County School District, we offer readers of the District's financial statements this narrative overview and analysis of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

Financial Highlights

- The beginning cash balance for the District was \$5,130,759. The year ended with a balance of \$2,770,994. The year-end balance is \$2,359,765 more than the 2014-2015 year-end balance.
- The General Fund had \$25,948,679 in revenue, which primarily consisted of the state program (SEEK), property, utilities and motor vehicle taxes. Excluding interfund transfers and other financing sources, there are \$25,658,697 in General Fund expenditures.
- Bond are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KED) stringent compliance regulations. The District's total debt reduction on bonds was \$2,120,218. The District's outstanding debt, including KISTA, is \$19,785,087 at the end of fiscal year 2016.
- In 2015-2016, certified and classified staff received a 2% salary increase.
- Construction of the addition to the Wayne County Middle School was near completion at the end of the fiscal year 2015-2016. The addition will alleviate overcrowding created by the merger of Wayne County Schools and Monticello Independent School.
- During 2015-2016, the District purchased 3 new buses to replace buses in excess of the state's full depreciation schedule.
- Total enrollment for 2015-2016 for grades K-12 was 3,297, a 2 student increase from 2014-2015. The overall District attendance rate for 2015-2016 was 93.65, a decrease from 2014-2015 of 94.12.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statement. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administration software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary fund and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare, and teacher support. The only proprietary funds are food service operations and childcare. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 and 12 of this report.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-37 of this report.

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$9,708,326 as of June 30, 2016. This reflects an increase of \$1,573,931 from 2014-2015.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

<u>Net Position for the period ending</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Current Assets	3,657,298	6,261,811
Noncurrent Assets	33,681,435	31,355,703
Deferred outflows	<u>1,727,828</u>	<u>765,760</u>
Total Assets and Deferred Outflows	39,066,561	38,383,274
Current Liabilities	885,524	1,127,286
Noncurrent Liabilities	28,024,778	28,412,593
Deferred inflows	<u>160,849</u>	<u>709,000</u>
Total Liabilities and Deferred Inflows	29,071,151	30,248,879
Net Position		
Investment in capital assets (net of debt)	10,722,852	9,478,412
Restricted Fund Balance	240,426	2,969,644
Unrestricted Fund Balance	<u>(967,868)</u>	<u>(4,313,661)</u>
Total Net Position	<u>\$9,995,410</u>	<u>\$8,134,395</u>
Governmental Revenues	35,805,626	37,881,554
Business Type Revenues	<u>2,915,095</u>	<u>2,824,303</u>
Total Revenues	38,720,721	40,705,857
Governmental Expenses	33,832,066	37,665,547
Business Type Expenses	<u>3,027,640</u>	<u>2,663,553</u>
Total Expenses	36,859,706	40,329,100
Change in Net Position	1,861,015	376,757
Net Position - Beginning	<u>8,134,395</u>	<u>7,757,638</u>
Net Position - Ending	<u>\$9,995,410</u>	<u>\$8,134,395</u>

Comments on Budget Comparisons

- The District's total general revenues for the fiscal year ended June 30, 2016, net of interfund transfers, were \$25,948,679.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the exception of revenue code 3900 (on-behalf payments made by the state for employee benefits). On-behalf payments are not included in the budget. The actual revenue received was \$5,808,253 more than budgeted.
- The cost of all programs and services was \$25,409,569 net of debt service.
- General Fund budget expenditures to actual varied overall due to recording on-behalf payments.

General Fund Revenue/Expenditures

The majority of the total General Fund (Fund 1) revenue was derived from state revenue (78.6%). Local funding accounted for (19.7%) of the revenue.

The greatest amount of revenue (53.9%) was expended for instruction. Other significant expenditures were student transportation (10.5%), plant operation and management (10.2%), instructional staff support which includes school libraries and district-wide instructional support staff (7.0%), school administrative support (5.9%), and student support services which includes health services, attendance services and guidance counseling (6.8%).

District Activity Fund Revenue/Expenditures

The District Activity Fund allows school activity funds to transfer funds to the District bank account. District activity funds are not subject to the Redbook and may be expended with more flexibility. Funds are assigned project numbers (7XXX) to fulfill reporting requirements.

Special Revenue Fund Revenue/Expenditures

The majority (61.03%) of the Special Revenue's (Fund 2) revenue was derived from federal sources with state revenue making up (36.7%). The largest expenditure for the fund was for instruction, which was (67.6%) of the fund's total expenditures. Instructional staff support services was (22.6%) of the total expenditures.

Capital Outlay Fund and Facilities Support Program off Kentucky Revenue/Expenditures

The Capital Outlay Fund's (Fund 310) revenue is received from the state funding program (SEEK). The FSPK Fund (Fund 320) receives revenue from both state funding and local taxes. During this year the majority of these funds were transferred to the debt service fund for paying on bonds sold in previous years for new and renovated facilities. This year the state allowed the district to use a portion of Capital Outlay funds for approved operation expenses that would have been funded through General Fund.

Construction Fund Revenue/Expenditures

The Construction Fund (Fund 360) is used for new buildings and renovations. The District addition to the Wayne County Middle School was near completion at the end of the fiscal year.

Debt Service Fund Revenue/Expenditures

The Debt Service Fund (Fund 4000) is used for paying debt service on bonds sold for new and renovated facilities. The fund receives a majority of its revenue from transfers from other funds primarily the Capital Outlay and FSPK Funds.

Food Service Fund Revenue/Expenditures

The School Food Service Fund (Fund 51) is an enterprise fund, which receives revenue from federal (84.3%), state (12.7%) and local (3.1%) sources. Expenditures for this fund are for food service staff, food, supplies and equipment.

Childcare Tuition Fund Revenue/ Expenditures

The Childcare Tuition Fund (Fund 52) is an enterprise fund that receives its revenue from daycare fees. The funds expenditures are for day care staff, supplies and equipment.

Budgetary Implications

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$710,000 in contingency (2.9%). The cash balance for beginning the fiscal year is \$2,770,994.

Questions regarding this report should be directed to Wayne Roberts, Superintendent at (606)348-8484 or to Lisa Pyles, Finance Officer at (606)3488484 or by mail at 1025 South Main Street, Monticello, Kentucky 42633.

WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION - DISTRICT WIDE
June 30, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 1,593,391	\$ 897,963	\$ 2,491,354
Investments	-	-	-
Accounts receivable	1,133,902	1,126	1,135,028
Inventory	-	30,916	30,916
Non-depreciable capital assets:			
Land	2,133,142	-	2,133,142
Depreciable capital assets			
Land improvements	1,002,171	-	1,002,171
Buildings and improvements	37,190,370	2,164,517	39,354,887
Furniture and equipment	4,725,959	449,197	5,175,156
Construction in progress	3,173,496	-	3,173,496
Less accumulated depreciation	(16,104,770)	(1,052,647)	(17,157,417)
TOTAL ASSETS	34,847,661	2,491,072	37,338,733
DEFERRED OUTFLOWS			
Deferred outflows related to pension expense	1,658,715	69,113	1,727,828
TOTAL DEFERRED OUTFLOWS	1,658,715	69,113	1,727,828
TOTAL ASSETS AND DEFERRED OUTFLOWS	36,506,376	2,560,185	39,066,561
LIABILITIES			
Accounts payable	428,586	8,271	436,857
Accrued payroll & related expenses	2,107	-	2,107
Deferred revenues	446,560	-	446,560
Long-term liabilities			
Due or payable within one year			
Sick leave payable	94,413	-	94,413
Interest payable	-	-	-
Bonds payable & capital leases	2,379,782	-	2,379,782
Due or payable after one year			
Bonds payable & capital leases	17,405,305	-	17,405,305
Net pension liability - CERS	7,819,467	325,811	8,145,278
TOTAL LIABILITIES	\$ 28,576,220	334,082	28,910,302
DEFERRED INFLOWS			
Deferred inflows related to pension expense	154,415	6,434	160,849
TOTAL DEFERRED INFLOWS	154,415	6,434	160,849
TOTAL LIABILITIES AND DEFERRED INFLOWS	28,730,635	340,516	29,071,151
NET POSITION			
Net invested in capital assets	9,161,785	1,561,067	10,722,852
Restricted for:			
Inventories	-	30,916	30,916
Sick leave	94,413	-	94,413
Encumbrances	10,945	-	10,945
Debt service	-	-	-
Capital projects	104,152	-	104,152
Unrestricted	(1,595,554)	627,686	(967,868)
TOTAL NET POSITION	7,775,741	2,219,669	9,995,410
TOTAL LIABILITIES AND NET POSITION	\$ 36,506,376	\$ 2,560,185	\$ 39,066,561

The accompanying notes are an integral part of these statements.

WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
for the year ended June 30, 2016

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
Governmental activities							
Instructional	\$ 18,270,126	\$ -	\$ 3,547,358	\$ -	\$ (14,722,768)	-	\$ (14,722,768)
Student support services	1,838,983	-	-	-	(1,838,983)	-	(1,838,983)
Staff support services	3,294,727	-	-	-	(3,294,727)	-	(3,294,727)
District administration	572,162	-	-	-	(572,162)	-	(572,162)
School administration	1,608,163	-	-	-	(1,608,163)	-	(1,608,163)
Business support services	413,613	-	-	-	(413,613)	-	(413,613)
Plant operation and maintenance	2,658,806	-	-	-	(2,658,806)	-	(2,658,806)
Student transportation	2,559,109	-	-	-	(2,559,109)	-	(2,559,109)
Food service operations	94,705	-	-	-	(94,705)	-	(94,705)
Day care operations	8,603	-	-	-	(8,603)	-	(8,603)
Community service	339,369	-	-	-	(339,369)	-	(339,369)
Adult education	28,704	-	-	-	(28,704)	-	(28,704)
Interest on debt	520,915	-	-	-	(520,915)	-	(520,915)
Total governmental activities	32,207,985	-	3,547,358	-	(28,660,627)	-	(28,660,627)
Business-type activities							
Food service	2,660,538	78,986	2,425,186	-	-	(156,366)	(156,366)
Day care	86,944	53,306	-	-	-	(33,638)	(33,638)
Total business-type activities	2,747,482	132,292	2,425,186	-	-	(190,004)	(190,004)
Total school district	\$ 34,955,467	\$ 132,292	\$ 5,972,544	\$ -	(28,660,627)	(190,004)	(28,850,631)
General revenues:							
Taxes							
State aid - formula grants					5,139,093	-	5,139,093
Investment earnings					25,250,798	354,396	25,605,194
Miscellaneous					17,612	3,221	20,833
Operating Transfers In					113,268	-	113,268
Operating Transfers Out					1,711,901	-	1,711,901
Special items:					(1,624,081)	(87,819)	(1,711,900)
Gain/loss on sale of assets					25,596	-	25,596
Total general and special revenues					30,634,187	269,798	30,903,985
Change in net position					1,973,560	79,794	2,053,354
Net position - July 1, 2015					5,802,181	2,332,214	8,134,395
Change in accounting principle					-	(192,339)	(192,339)
Net position - July 1, 2015 - restated					5,802,181	2,139,875	7,942,056
Net position - June 30, 2016					\$ 7,775,741	\$ 2,219,669	\$ 9,995,410

The accompanying notes are an integral part of these statements.

WAYNE COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	GENERAL FUND	SPECIAL REVENUE	CONSTRUCTION FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 1,890,847	\$ (429,779)	\$ 96,029	\$ 36,294	\$ 1,593,391
Investments	-	-	-	-	-
Accounts receivable	197,571	936,331	-	-	1,133,902
TOTAL ASSETS	\$ 2,088,418	\$ 506,552	\$ 96,029	\$ 36,294	\$ 2,727,293
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	271,026	59,992	60	97,508	428,586
Accrued payroll & related expenses	2,107	-	-	-	2,107
Deferred revenues	-	446,560	-	-	446,560
TOTAL LIABILITIES	273,133	506,552	60	97,508	877,253
FUND BALANCE					
Restricted for Debt Service	-	-	-	-	-
Restricted for Capital Projects	-	-	95,969	8,183	104,152
Restricted for Sick Leave	94,413	-	-	-	94,413
Committed	-	-	-	17,539	17,539
Assigned for Encumbrances	7,595	-	-	3,350	10,945
Unassigned	1,713,277	-	-	(90,286)	1,622,991
TOTAL FUND BALANCES	1,815,285	-	95,969	(61,214)	1,850,040
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,088,418	\$ 506,552	\$ 96,029	\$ 36,294	\$ 2,727,293

The accompanying notes are an integral part of these statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE DISTRICT-WIDE STATEMENT OF NET POSITION
June 30, 2016**

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT
OF NET POSITION ARE DIFFERENT BECAUSE:

Total governmental fund balance		\$ 1,850,040
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	48,225,138	
Accumulated depreciation	<u>(16,104,770)</u>	32,120,368
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long term liabilities at year end consist of:		
Bonds and capital leases payable	(19,785,087)	
Net pension liability - CERS and related inflows / outflows	<u>(6,315,167)</u>	<u>(26,100,254)</u>
Total net position - governmental		<u><u>\$ 7,870,154</u></u>

WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2016

	GENERAL FUND	SPECIAL FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues					
Taxes	\$ 4,694,405	\$ -	\$ -	\$ 444,688	\$ 5,139,093
Earnings on investments	17,612	-	-	-	17,612
Student activities	-	10,587	-	24,868	35,455
Donations	-	17,019	-	19,600	36,619
State sources	21,008,237	2,020,635	-	2,221,926	25,250,798
Federal sources	189,088	3,358,270	-	-	3,547,358
Other sources	39,337	1,857	-	-	41,194
Total revenues	25,948,679	5,408,368	-	2,711,082	34,068,129
Expenditures					
Instructional	14,422,207	3,717,557	-	25,515	18,165,279
Student support services	1,744,235	15,052	-	-	1,759,287
Staff support services	1,824,365	1,244,232	-	5,962	3,074,559
District administration	536,819	-	-	-	536,819
School administration	1,507,290	2,369	-	-	1,509,659
Business support services	373,582	-	-	-	373,582
Plant operation/maintenance	2,434,248	39,411	-	12,000	2,485,659
Student transportation	2,505,830	122,548	-	-	2,628,378
Food service operation	1,964	72,726	-	-	74,690
Day care operations	7,118	1,485	-	-	8,603
Community service	64,316	256,543	-	-	320,859
Adult education operations	-	28,704	-	-	28,704
Facility acquisition/contruction	-	-	2,527,145	-	2,527,145
Debt service principal	221,263	-	-	2,139,774	2,361,037
Debt service interest	27,865	-	-	493,050	520,915
Total expenditures	25,671,102	5,500,627	2,527,145	2,676,301	36,375,175
Excess (deficit) of revenues over expenditures	277,577	(92,259)	(2,527,145)	34,781	(2,307,046)
Other financing sources (uses):					
Gain/Loss on Sale of Asset	999	-	-	-	999
Operating transfers in	247,241	93,900	-	1,370,760	1,711,901
Operating transfers out	(229,053)	(1,641)	-	(1,393,387)	(1,624,081)
Total other financing sources (uses)	19,187	92,259	-	(22,627)	88,819
Net change in fund balances	296,764	-	(2,527,145)	12,154	(2,205,822)
Fund balances July 1, 2015	1,424,108	-	2,623,114	254,302	4,301,524
Prior period error (see note M)	-	-	-	(327,670)	-
Fund balances July 1, 2015 - restated	-	-	-	(73,368)	-
Fund balances June 30, 2016	\$ 1,720,872	\$ -	\$ 95,969	\$ (61,214)	\$ 1,755,627

The accompanying notes are an integral part of these statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

June 30, 2016

Amounts reported for governmental activities in the statement of net position are different because:

Net changes - governmental funds: \$ (2,205,822)

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense for the year.

Capital outlay	3,590,109	
Depreciation expense	<u>(1,205,475)</u>	2,384,634

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does affect the Statement of Activities. Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position.

Principal paid	2,361,037
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Certain expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds such as increases/decreases in sick leave payable, pension expense and interest payable.

Increase in sick leave payable	(12,405)	
Increase in pension expense	(486,326)	
Increase in accrued interest on debt	<u>(67,558)</u>	<u>(566,289)</u>

Changes in net position - governmental funds	<u><u>\$ 1,973,560</u></u>
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WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2016

	<u>FOOD SERVICE</u>	<u>OTHER ENTERPRISE FUNDS</u>	<u>TOTAL</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 897,963	\$ -	\$ 897,963
Accounts receivable	-	1,126	1,126
Inventories for consumption	30,916	-	30,916
Total current assets	<u>928,879</u>	<u>1,126</u>	<u>930,005</u>
Noncurrent assets			
Buildings and improvements	2,164,517	-	2,164,517
Furniture and equipment	449,197	-	449,197
Accumulated depreciation	(1,052,647)	-	(1,052,647)
Total noncurrent assets	<u>1,561,067</u>	<u>-</u>	<u>1,561,067</u>
TOTAL ASSETS	<u>2,489,946</u>	<u>1,126</u>	<u>2,491,072</u>
DEFERED OUTFLOWS			
Deferred outflows related to pension expense	64,275	4,838	69,113
Total Deferred Outflows	<u>64,275</u>	<u>4,838</u>	<u>69,113</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 2,554,221</u>	<u>\$ 5,964</u>	<u>\$ 2,560,185</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 8,200	\$ 71	\$ 8,271
Total current liabilities	<u>8,200</u>	<u>71</u>	<u>8,271</u>
Noncurrent liabilities			
Net pension liability - CERS	303,004	22,807	325,811
Total noncurrent liabilities	<u>303,004</u>	<u>22,807</u>	<u>325,811</u>
TOTAL LIABILITIES	<u>311,204</u>	<u>22,878</u>	<u>334,082</u>
DEFERRED INFLOWS			
Deferred inflows related to pension expense	5,984	450	6,434
Total deferred inflows	<u>5,984</u>	<u>450</u>	<u>6,434</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	317,188	23,328	340,516
NET POSITION			
Net invested in capital assets	1,561,067	-	1,561,067
Restricted for inventories	30,916	-	30,916
Unrestricted	<u>645,050</u>	<u>(17,364)</u>	<u>627,686</u>
TOTAL NET POSITION	<u>2,237,033</u>	<u>(17,364)</u>	<u>2,219,669</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,554,221</u>	<u>\$ 5,964</u>	<u>\$ 2,560,185</u>

The accompanying notes are an integral part of these statements.

WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
PROPRIETARY FUNDS
for the year ended June 30, 2016

	FOOD SERVICE	OTHER ENTERPRISE FUNDS	TOTAL
OPERATING REVENUES			
Lunchroom sales	\$ 78,986	\$ -	\$ 78,986
Other operating revenues	-	53,306	53,306
Total operating revenues	78,986	53,306	132,292
OPERATING EXPENSES			
Salaries and benefits	1,129,738	93,182	1,222,920
Contract services	46,311	65	46,376
Materials and supplies	1,357,678	(6,303)	1,351,375
Depreciation	72,527	-	72,527
Other operating expenses	54,284	-	54,284
Total operating expenses	2,660,538	86,944	2,747,482
Operating income (loss)	(2,581,552)	(33,638)	(2,615,190)
NONOPERATING REVENUES (EXPENSES)			
Federal grants	2,248,973	-	2,248,973
State grants	338,122	16,274	354,396
Donated commodities	176,213	-	176,213
Gain/Loss on Sale of Assets	-	-	-
Operating Transfers Out	(87,819)	-	(87,819)
Interest Income	3,221	-	3,221
Total nonoperating revenues	2,678,710	16,274	2,694,984
Change in net position	97,158	(17,364)	79,794
Net position July 1, 2015	2,332,214	-	2,332,214
Change in accounting principle	(192,339)	-	(192,339)
Net Position July 1, 2015 - restated	2,139,875	-	2,139,875
Net position June 30, 2016	\$ 2,237,033	\$ (17,364)	\$ 2,219,669

The accompanying notes are an integral part of these statements.

WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
for the year ended June 30, 2016

	<u>Food Service</u>	<u>Other Enterprise Funds</u>
Cash flows from operating activities:		
Cash received from lunchroom sales	\$ 78,986	\$ -
Cash received from other activities	132,287	53,306
Cash payments to employees for services	(1,077,364)	(74,763)
Cash payments to suppliers	(1,405,061)	7,310
Operating transfers	(87,819)	-
Cash payments for other operating expenses	(54,284)	-
Net cash provided by operating activities	<u>(2,413,255)</u>	<u>(14,147)</u>
Cash flows from noncapital financing activities:		
Nonoperating grants received	2,587,095	16,274
Net cash provided (used) by noncapital financing activities	<u>2,587,095</u>	<u>16,274</u>
Cash flows from investing activities:		
Interest Income	3,221	-
Net cash provided by investing activities	<u>3,221</u>	<u>-</u>
Net increase in cash equivalents	177,061	2,127
Cash and cash equivalents July 1, 2015	<u>720,902</u>	<u>(2,127)</u>
Cash and cash equivalents June 30, 2016	<u>\$ 897,963</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ (2,773,891)	\$ (33,638)
Effect of Increases and Decreases in Current Assets and Liabilities:		
Depreciation	72,527	-
Inventories used	36,021	-
Net pension liability and deferrals	244,713	18,419
Increase / Decrease in inventory	(798)	-
Increase / Decrease in receivables	-	1,001
Increase / Decrease in payables	8,173	71
Net cash provided by operating activities	<u>\$ (2,413,255)</u>	<u>\$ (14,147)</u>
Schedule of non-cash transactions:		
Donated commodities	176,213	-
	<u>\$ 176,213</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
June 30, 2016

	<u>Student Activity Funds</u>
ASSETS	
Cash and cash equivalents	\$ 279,640
Accounts receivable	-
TOTAL ASSETS AND RESOURCES	<u>279,640</u>
LIABILITIES	
Accounts payable	1,278
Due to student groups	278,362
TOTAL LIABILITIES	<u>\$ 279,640</u>

The accompanying notes are an integral part of these statements.

**WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Wayne County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Wayne County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, as Board members are elected by the public and have decision-making authority, the power to designate management and the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Wayne County School District. The financial statements presented herein do not include funds of groups and organizations which, although associated with the school system, have not originated within the Board itself such as booster organizations, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

The accounting policies of the Wayne County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts and generally accepted accounting principles prescribed by the Governmental Accounting Standards Board (GASB).

District-Wide and Fund Financial Statements

The statement of net position and the statement of activities are district-wide financial statements. They report information on all of the District's nonfiduciary activities with interfund activities removed. Governmental activities include programs supported primarily by taxes, state funding and allocations and other intergovernmental revenues.

Fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary and fiduciary. Because the resources in the fiduciary funds cannot be used for District operations, they are not included in the district-wide statements.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Accounting

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts which stands separate from the activities reported in other funds. A description along with the restrictions associated with each class of funds are as follows:

I. Governmental Fund Types

- A. The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use.
- B. The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balance are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Federal Financial Assistance included in this report.
- C. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the district's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the Kentucky School Facilities Construction Commission's funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

II. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

III. Proprietary Funds (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). The Other Enterprise Fund is used to account for day care activities.

IV. Fiduciary Fund Type

The Activity Fund consists of Agency funds and accounts for activities of student groups and other types of activities requiring clearing accounts. With the exception of Cardinal Bank these funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds. The Cardinal Bank operates a school bank for the benefit of students and the nature of its operations are not conducive to some of the requirements of Uniform Program of Accounting for School Activity Funds.

V. Property Taxes

The District's property taxes are levied each October on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Property taxes attached as an enforceable lien on the property at May 31. Tax rates assessed were 42.9 and 42.9 cents, respectively, per one hundred dollars of assessed value.

Property taxes collected are deposited into the General Fund, then transferred and recorded as revenues in the fund for which they were levied.

Utilities Taxes

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishing, within the county, of telephone, cable television, electricity and water services.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP. During the budgetary process, revenues are projected in cash amounts to be received and expenditures are projected in cash amounts to be paid. Under GAAP, revenues and expenditures are recorded when susceptible to accrual.

Once the budget is approved, it can be amended. Amendments aggregating more than \$50,000 are presented to the Board for their approval at their regular meetings. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The district-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary and fiduciary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Cash and Cash Equivalents

The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased, with the exception of the Proprietary Funds which record inventory using the accrual basis of accounting. Food service fund inventories are stated at cost.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016

Encumbrances

Encumbrances are reported as a reservation of the fund balance. They are not reported as disbursements until paid.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, a certified employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments.

The current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is recorded as a long term liability.

Fund Balance Reserves

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2016 the District had \$94,413 as restricted for sick leave in the General Fund, \$30,916 restricted for inventories in the Food Service Fund and \$104,152 as restricted for capital projects in the Capital Outlay and Construction Funds.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had \$17,539 committed fund balances in the Special Revenue District Activity Fund at June 30, 2016.

Assigned fund balances are those amounts that are considered by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to the encumbrances at June 30, 2016 was \$10,945.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The District has \$1,713,277 in unassigned fund balance at June 30, 2016. The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

On-Behalf Payments

The District receives on-behalf payments from the State of Kentucky for items including retirement and insurance. The amounts received for the fiscal year ended June 30, 2016 was \$7,203,987. These payments were recorded as follows:

General Fund	\$5,597,140
Debt Service	1,273,227
Food Service Fund	317,346
Day Care Operations Fund	16,274
Total	\$7,203,987

Pensions

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50 "Pension Disclosures", as they relate to government pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

NOTE B - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the District's cash and cash equivalents was \$4,635,216. Carrying amounts do not reflect deposits in transit or outstanding checks. Of the total cash balance, \$500,000 was covered by Federal Depository Insurance, with the remainder covered by collateral held by the pledging banks' trust departments in the District's name. At June 30, 2016 all deposits were fully collateralized.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016

Cash and cash equivalents at June 30, 2015 exclusive of activity and debt service funds, consisted of the following (after deposits in transit and outstanding checks):

Governmental funds	\$1,593,391
Proprietary fund	\$ 897,963

NOTE C - BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Wayne County School District and the Kentucky School Facilities Construction Commission.

The District, through the General Fund, including utility taxes and the SEEK Capital Outlay Fund, is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Wayne County School District Finance Corporation and the Kentucky School Facilities Construction Commission to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table on the following page sets forth the amount to be paid by the district and the Commission for each year until maturity of all bond issues.

At June 30, 2016 total indebtedness, including both principle and interest, amounted to \$22,839,586. This is detailed below and on the following page.

Capital Lease Payable

Presented below is the schedule of lease payments (principal and interest) due by the District to KISTA for purchase of transportation vehicles:

Year ended June 30	
2017	204,666
2018	166,871
2019	166,902
2020	157,812
2021	158,056
2022	115,705
2023	101,722
2024	96,707
2025	<u>25,390</u>
	<u>\$1,193,831</u>

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2016

Issue	Original Amount	Interest Rate
2005 refunded	1,845,000	4.0
2007	2,740,000	.75 - 4.0
2009	1,265,000	4.0
2011	2,377,000	1.5 - 3.5
2012	7,400,000	.700 - 4.0
2013	445,000	2.4 - 3.0
2015	3,210,000	2.0-3.25
2006 MIS	4,130,000	3.65 - 4.25
2006B MIS	365,000	4.125
2008 MIS	1,800,000	2.3 - 3.7
2011 MIS	440,000	2.0 - 4.5
2006 MIS refunded	2,980,000	2.0-2.5

A summary of bond and capital lease activity for the year ended June 30, 2016, is as follows:

	<u>Bonds</u>	<u>Capital Leases</u>	<u>Total</u>
Balance, July 1, 2015	20,822,634	1,054,657	21,877,291
Issued	-	268,833	268,833
Retired	(2,120,218)	(240,819)	(2,361,037)
Balance, June 30, 2016	<u>\$ 18,702,416</u>	<u>\$ 1,082,671</u>	<u>\$ 19,785,087</u>

DEBT SERVICE AMORTIZATION

Year Ending June 30	District		KSFCC		Annual Totals
	Principal	Interest	Principal	Interest	
2017	1,211,316	165,852	990,457	283,039	2,650,664
2018	1,207,629	134,851	975,144	263,498	2,581,122
2019	680,321	102,642	994,453	244,189	2,021,605
2020	555,595	86,390	921,179	221,456	1,784,620
2021	552,611	73,090	935,163	201,437	1,762,301
2022	565,908	61,887	955,866	180,733	1,764,394
2023	576,965	49,697	977,809	158,787	1,763,258
2024	575,190	36,448	1,000,810	135,786	1,748,234
2025	359,053	24,545	1,024,947	111,649	1,520,194
2026	369,643	15,903	1,018,357	86,861	1,490,764
2027	34,260	6,585	317,740	66,535	425,120
2028	22,937	5,436	264,063	55,549	347,985
2029	28,894	4,721	273,106	46,506	353,227
2030	24,541	3,768	282,459	37,152	347,920
2031	24,864	2,961	292,136	27,476	347,437
2032	16,674	2,162	247,326	17,958	284,120
2033	18,830	1,662	121,170	12,150	153,812
2034	16,415	1,050	123,585	8,212	149,262
2035	15,898	517	129,102	4,196	149,713
	<u>\$ 6,857,544</u>	<u>\$ 780,167</u>	<u>\$ 11,844,872</u>	<u>\$ 2,163,169</u>	<u>\$ 21,645,752</u>

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE D – RETIREMENT PLANS

Kentucky Teacher's Retirement

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System (CERS) covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System (KTRS) covers positions requiring teaching certification or otherwise requiring a college degree.

General Information About the County Employees Retirement System (CERS)

Plan description – Employees whose positions do not require beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provision of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement administers CERS and has authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that included financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov>.

Benefits provided – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 year old
	Reduced retirement	At least 5 years of service and 55 years old At least 25 years of service and any age
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age = 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age =87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the Kentucky General Assembly. Retirement is based on a factor of the number of years of service and hire date multiplied by the average of the highest five years earnings. Reduced benefits are based on factors of both of these components.

Participating employees become eligible to receive the health insurance benefit after at least 180 months

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016

of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years of service is required for death benefits prior to retirement and the employees must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay, and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five year of service is required for nonservice-related disability benefits.

Contributions – Required contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

The District matches at a rate of 17.06% of the employee's total covered compensation. The District's matching contributions total \$765,760 for the year ended June 30, 2016.

General Information about the Teachers' Retirement System of the Commonwealth of Kentucky (KTRS)

Plan description – The District's teaching certified employees and other employees whose positions require at least a college degree are provided pensions through KTRS – a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth of Kentucky. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Benefits provided – For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016

July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3% to be used in their benefit calculation. Effective July 1, 2008, the system has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five highest annual salaries for those with less than 27 years service. Employees at least age 55 with 27 or more years of service may use their three highest annual salaries to compute the final average salary. KTRS also provides disability for vested employees at the rate of 60% of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees, and \$5,000 for retired or disabled employees.

Cost of living increases are 1.5% annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions- Contribution rates are established by KRS. Non-university members are required to contribute 12.105% of their salaries to the System. The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions of the amount 13.105% of salaries for local school district employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district members whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan description- In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-retirement healthcare to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016

Funding Policy – In order to fund the post-retirement healthcare benefit, six percent (6.0%) of the gross annual payroll of members before July 1, 2008 is contributed. Three percent (3.0%) is paid by member contributions and three quarter percent (.75%) from state appropriation and two and one-quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Wayne County School District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	<u>\$ 8,145,278</u>
State's proportionate share of the net pension liability associated with the District	<u>\$97,719,676</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2015, the District's portion was .189446 percent. This is a .006237% decrease from June 30, 2014.

For the year ended June 30, 2016 the District recognized pension expense of \$852,325 related to CERS.

The District reported approximate deferred outflows of resources and deferred inflows of resources related to pension expense from the following sources:

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 67,690	\$ -
Changes of assumptions	821,362	-
Net difference between projected and actual earning on pension plan investments	73,016	-
Changes in proportion and differences between District Contributions and proportionate share of contributions	-	160,849
District contributions subsequent to the measurement date	<u>765,760</u>	<u>-</u>
Total	<u>\$ 1,727,828</u>	<u>\$ 160,849</u>

\$765,760 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	308,375
2018	308,375
2019	166,215
2020	18,254

Actuarial assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.25%	3.50%
Projected salary increases	4.00%	4.0-8.2%
Investment rate of return, net of investment expense & inflation	7.50%	7.50%

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disables members, the RP-2000 Combine Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016

For KTRS, mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of one year for females.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a ten year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	44.0%	5.4%
Combined Fixed Income	19.0%	1.5%
Real Return	10.0%	3.5%
Real Estate	5.0%	4.5%
Absolute Return	10.0%	4.25%
Private Equity	100%	8.5%
Cash Equivalents	<u>2.0%</u>	-0.25%
Total	<u>100.%</u>	

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016

For KTRS, the long-term expected rate of return on pension plan investments was determined using a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

	Target <u>Allocation</u>	Long-Term Expected Real <u>Rate of Return</u>
U.S. Equity	45.0%	6.4%
Non U. S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	<u>2.0%</u>	1.5%
Total	<u>100.%</u>	

Discount rate – For CERS, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contribution rates, and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments through 2035, and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016

Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate – The following table presents the District's net pension liability calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.5%	7.5%	8.5%
District's proportionate share of net pension liability	7,059,241	8,145,278	9,231,315
KTRS	3.88%	4.88%	5.88%
State's proportionate share of net pension liability	77,695,152	97,719,676	117,744,200

Pension plan fiduciary net positions – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

NOTE E - CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantors' review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE F - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, including worker's compensation insurance.

NOTE G - LUNCHROOM ACCOUNT/COMMODITIES

The Lunchroom Account keeps a current monthly inventory of the school in the Food Service Director's office at the Wayne County Board of Education. The Food Service Director has filed timely all required reports and requests for reimbursement.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE H - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. To obtain insurance for workers compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pay an annual premium to each fund for coverage.

Contributions to the Workers Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term.

The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can't terminate coverage if it is unable to obtain acceptable excess general liability coverage, any amounts remaining in the Fund (after payment of the operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss.

NOTE I - DEFICIT OPERATING/FUND BALANCES

The Debt Service fund had deficit fund balance of (\$90,286). The following fund did not end the year with a deficit balance but had operations that resulted in a current deficit of expenditures over revenues, resulting in a corresponding reduction in fund balance:

Construction Fund	\$(2,527,145)
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WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE J - KSBIT ASSESSMENT

On January 14, 2013, officials for the Kentucky School Board Insurance Trust (KSBIT) announced the dissolution of the trust, and publicly announced for the first time that the trust, over a long period of time, had accumulated a deficit of 50 to 60 million dollars. It was confirmed in 2014 that any school district which was a policy holder in the workers compensation pool from 1990 to 2011, and any district which was a policy holder in the property and general liability pool from 1993 to 2011, are subject to assessment. The formula for assessment is based upon a school district's length of service in KSBIT, the premiums paid, and the number of claims made that were attributable to the school district. The Wayne County School District's portion of the assessment for the Workers Compensation Fund is \$530,452 while their portion of Property & Liability Fund is \$88,499 for a total assessment for the district of \$618,951. A portion of the assessment was paid in August 2014 with the remainder payable in various amounts over the next six years. \$91,223 was paid in July 2015 and is included in Accounts Payable in the district's June 30, 2015 financial statements.

NOTE L - CAPITAL ASSETS

All capital assets are capitalized at cost (or estimated historical cost) and updated for additional and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset life, are not.

Capital asset activity for the year ended June 30, 2016 is detailed on the following page.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

CAPITAL ASSET NOTE DISCLOSURE

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES				
Land and improvements	\$ 3,074,313	\$ 68,168	\$ 7,168	\$ 3,135,313
Buildings and improvements	37,190,370	-	-	37,190,370
Technology equipment	993,040	60,535	492,979	560,596
Vehicles	3,778,363	267,200	45,854	3,999,709
Construction in progress	-	3,173,496	-	3,173,496
General equipment	242,314	20,710	97,370	165,654
Totals at historical cost	45,278,400	3,590,109	643,371	48,225,138
Less accumulated depreciation for:				
Land and improvements	591,425	30,596	-	622,021
Buildings and improvements	11,205,431	875,230	-	12,080,661
Technology equipment	866,798	72,158	486,795	452,161
Vehicles	2,700,238	207,915	45,854	2,862,299
General equipment	140,026	19,576	71,974	87,628
Total accumulated depreciation	15,503,918	1,205,475	604,623	16,104,770
GOVERNMENTAL ACTIVITIES CAPITAL NET	\$ 29,774,482	\$ 2,384,634	\$ 38,748	\$ 32,120,368
PROPRIETARY ACTIVITIES				
Buildings and improvements	2,164,517	-		2,164,517
Technology equipment	-			-
General equipment	396,824	52,373	-	449,197
Totals at historical cost	2,561,341	52,373	-	2,613,714
Less accumulated depreciation for:				
Buildings and improvements	707,931	50,365	-	758,296
Technology equipment	-	-	-	-
General equipment	272,189	22,162	-	294,351
Total accumulated depreciation	980,120	72,527	-	1,052,647
PROPRIETARY ACTIVITIES CAPITAL NET	\$ 1,581,221	\$ (20,154)	\$ -	\$ 1,561,067

DEPRECIATION EXPENSE CHARGES TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:

Instructional	\$ 973,369
Student support services	365
Staff support services	-
District administration	4,688
School support services	1,572
Business support services	-
Plant operation/maintenance	6,990
Student transportation	216,986
Community services	1,505
Total	<u>\$ 1,205,475</u>

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE M - PRIOR PERIOD ADJUSTMENT

Investments in the Debt Service fund were previously booked erroneously and were removed from the books in 2016. This adjustment had the following effect on Fund Balance

Fund Balance, July 1, 2015 as previously reported	\$ 226,221
Prior period adjustment	<u>(327,670)</u>
Fund Balance, July 1, 2015 as restated	<u><u>\$ (101,449)</u></u>

NOTE N - CHANGE IN ACCOUNTING PRINCIPLE - PROPRIETARY FUND

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension related assets and liabilities based on their proportionate share of the collective amount for governments in the plan.

GASB 68 requires retrospective application. Fiscal year 2016 is the first year GASB 68 was applied to the proprietary fund. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in \$192,339 reduction in beginning net position on the Statement of Activities.

Net Position, July 1, 2015 as previously reported	\$2,332,214
Deferred outflows, inflows and pension liability	<u>(192,339)</u>
Net Position, July 1, 2015 as restated	<u><u>\$2,139,875</u></u>

WAYNE COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR GENERAL FUND
for the year ended June 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE W/FINAL BUDGET POSITIVE (NEGATIVE)
Revenues			
Taxes	\$ 4,568,000	\$ 4,694,405	\$ 126,405
Earnings on investment	12,000	17,612	5,612
State sources	15,403,926	21,008,237	5,604,311
Federal sources	150,000	189,088	39,088
Other sources	6,500	39,337	32,837
Total revenues	20,140,426	25,948,679	5,808,253
Expenditures			
Instructional	11,109,746	14,422,207	(3,312,461)
Student support services	1,479,780	1,744,235	(264,455)
Staff support services	1,549,437	1,824,365	(274,928)
District administration	583,662	536,819	46,843
School administration	1,255,978	1,507,290	(251,312)
Business support services	263,280	373,582	(110,302)
Plant operation/maintenance	2,333,838	2,434,248	(100,410)
Student transportation	2,052,954	2,505,830	(452,876)
Food service operation	-	1,964	(1,964)
Day care operations	2,500	7,118	(4,618)
Community service operations	2,856	64,316	(61,460)
Adult education operations	-	-	-
Facility acquisition/construction	-	-	-
Debt service	250,619	249,128	1,491
Contingency	710,000	-	710,000
Total expenditures	21,594,650	25,671,102	(4,076,452)
Excess of revenues over expenditures	(1,454,224)	277,577	1,731,801
Other financing sources (uses)			
Gain/Loss on sale of assets	898	999	(101)
Operating transfers in	245,944	247,241	(1,297)
Operating transfers out	(216,726)	(229,053)	12,327
Total other financing sources (uses)	30,116	19,187	(10,929)
Net increase (decrease) in fund balance	(1,424,108)	296,764	1,720,872
Fund balance July 1, 2015	1,424,108	1,424,108	-
Fund balance June 30, 2016	\$ -	\$ 1,720,872	\$ 1,720,872

WAYNE COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON - SPECIAL REVENUE
for the year ended June 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE W/FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Earnings on investment	\$ -	\$ -	\$ -
Student activities	11,533	10,587	(946)
Donations	4,566	17,019	
State sources	2,038,001	2,020,635	(17,366)
Federal sources	3,388,836	3,358,270	(30,566)
Other Sources	1,520	1,857	337
Total revenues	5,444,456	5,408,368	(36,088)
EXPENDITURES			
Instructional	3,674,877	3,717,557	(42,680)
Student support services	13,945	15,052	(1,107)
Staff support services	1,256,090	1,244,232	11,858
School administration	2,369	2,369	-
Plant operation/maintenance	90,760	39,411	51,349
Student transportation	122,323	122,548	(225)
Food service operation	89,925	72,726	17,199
Day care operations	1,164	1,485	(321)
Community services	257,100	256,543	557
Adult education operations	28,704	28,704	-
Total expenditures	5,537,257	5,500,627	36,630
Excess (deficit) of revenues over expenditures	(92,801)	(92,259)	(542)
Other financing sources (uses):			
Operating transfers out	(1,099)	(1,641)	542
Operating transfers in	93,900	93,900	-
Total other financing sources (uses)	92,801	92,259	542
Net change in fund balance	-	-	-
Fund balance July 1, 2015	-	-	-
Fund balance June 30, 2016	\$ -	\$ -	\$ -

WAYNE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS
NET PENSION LIABILITY
JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	.189446%	.195683%
District's proportionate share of the net pension liability	\$8,145,278	\$6,349,000
District's covered employee payroll	\$4,972,101	\$4,558,039
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	163.90%	139.29%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	66.80%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**WAYNE COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS TO CERS
JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>
Contractually required amount	\$765,760	\$ 770,053
Contributions in relation to the contractually required contribution	<u>(765,760)</u>	<u>(770,053)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$4,972,101	\$4,558,039
Contributions as a percentage of covered-employee payroll	15.40%	16.90%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CERS
JUNE 30, 2016

Changes of benefit terms – There have been no changes in benefit terms during the period.

Changes of assumptions

The assumed investment rate of return was decreased from 7.75% to 7.50%.

The assumed rate of inflation was reduced from 3.50% to 3.25%.

The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

Payroll growth assumption was reduced from 4.50% to 4.00%.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disables members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

Period covered by the required supplementary information – GASB Statement No. 68, "Accounting and Financial Reporting for Pensions", an amendment of GASB Statement No. 27 requires the accompanying supplementary information to report on trend information for the previous ten fiscal years if the information is available. The District has only been provided this information for one fiscal year and will expand this supplementary information in future financial statements to cover additional periods as they become available.

WAYNE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE KTRS
NET PENSION LIABILITY
JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.00%	0.00%
District's proportionate share of the net pension liability	-	-
Commonwealth's proportionate share of the net pension liability associated with the District	\$97,719,676	\$89,117,305
District's covered-employee payroll	\$13,664,966	\$13,590,903
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	42.49%	45.59%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

WAYNE COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS TO KTRS
JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$478,676	\$167,601
Contributions in relation the contractually required	<u>(478,676)</u>	<u>(167,601)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$13,664,966	\$13,590,903
Contributions as a percentage of covered-employee payroll	3.50%	1.24%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

WAYNE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - KTRS
JUNE 30, 2016

Changes of benefit terms – There have been no changes in benefit terms during the period.

Changes of assumptions – In the 2001 valuation and later, the expectation of retired life mortality was changed to RP-2000 Mortality Tables rather than the 1994 Group Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

Period covered by the required supplementary information – GASB Statement No. 68, “Accounting and Financial Reporting for Pensions”, an amendment of GASB Statement No. 27 requires the accompanying supplementary information to report on trend information for the previous ten fiscal years if the information is available. The District has only been provided this information for one fiscal year and will expand this supplementary information in future financial statements to cover additional periods as they become available.

SUPPLEMENTARY INFORMATION

WAYNE COUNTY SCHOOL DISTRICT
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2016

	<u>CAPITAL OUTLAY</u>	<u>DEBT FUND</u>	<u>SPECIAL DISTRICT ACTIVITY FUND</u>	<u>TOTAL</u>
ASSETS				
Cash and cash equivalents	\$ 8,183	\$ 4,749	\$ 23,362	\$ 36,294
Accounts Receivable	-	-	-	-
Investments	-	-	-	-
TOTAL ASSETS	<u>\$ 8,183</u>	<u>\$ 4,749</u>	<u>\$ 23,362</u>	<u>\$ 36,294</u>
LIABILITIES				
Accounts payable	-	95,035	2,473	97,508
TOTAL LIABILITIES	-	95,035	2,473	97,508
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted for capital projects	8,183	-	-	8,183
Restricted for debt service	-	-	-	-
Committed	-	-	17,539	17,539
Assigned	-	-	3,350	-
Unrestricted	-	(90,286)	-	-
TOTAL FUND BALANCE	<u>8,183</u>	<u>(90,286)</u>	<u>20,889</u>	<u>(61,214)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 8,183</u>	<u>\$ 4,749</u>	<u>\$ 23,362</u>	<u>\$ 36,294</u>

WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2016

	CAPITAL OUTLAY	BUILDING FUND	DEBT SERVICE	SPECIAL DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOV'T FUNDS
REVENUES					
Taxes	\$ -	\$ 444,688	\$ -	\$ -	\$ 444,688
Earnings on investment	-	-	-	-	-
Student activities	-	-	-	24,868	24,868
Donations	-	-	-	19,600	19,600
State sources	293,767	654,932	1,273,227	-	2,221,926
Total revenues	293,767	1,099,620	1,273,227	44,468	2,711,082
EXPENDITURES					
Instructional	-	-	-	25,515	25,515
Staff support services	-	-	-	5,962	5,962
Facility acquisition and construction	-	-	-	-	-
Plant operation/maintenance	-	-	-	12,000	12,000
Debt service principal	-	-	2,139,774	-	2,139,774
Debt service interest	-	-	493,050	-	493,050
Total expenditures	-	-	2,632,824	43,477	2,676,301
Excess (deficit) of revenues over expenditures	293,767	1,099,620	(1,359,597)	991	34,781
Other financing sources (uses):					
Operating transfers out	(293,767)	(1,099,620)	-	-	(1,393,387)
Operating transfers in	-	-	1,370,760	-	1,370,760
Total other financing sources (uses)	(293,767)	(1,099,620)	1,370,760	-	(22,627)
Net change in fund balance	-	-	11,163	991	12,154
Fund balance July 1, 2015	8,183	-	226,221	19,898	254,302
Prior period adjustment (see note M)	-	-	(327,670)	-	(327,670)
Fund balance July 1, 2015 - restated	-	-	(101,449)	-	(101,449)
Fund balance June 30, 2016	\$ 8,183	\$ -	\$ (90,286)	\$ 20,889	\$ (61,214)

WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
ELEMENTARY AND MIDDLE SCHOOL ACTIVITY FUNDS
June 30, 2016

	Beginning Cash July 1, 2015	Receipts	Disbursements	Ending Cash June 30, 2016
Walker Early Learning Center	\$ 6,232	\$ 33,690	\$ 28,415	\$ 11,507
Bell Elementary	72,145	57,020	53,543	75,622
Monticello Elementary	11,215	67,369	65,695	12,889
Wayne County Middle	60,764	88,922	82,720	66,966
	<u>\$ 150,356</u>	<u>\$ 247,001</u>	<u>\$ 230,373</u>	<u>\$ 166,984</u>

Included in Receipts and Disbursements
are Interfund transfers as follows:

Walker Early Learning Center	\$ 2,063
Bell Elementary	\$ -
Monticello Elementary	\$ 4,206
Wayne County Middle	\$ -

WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS AND DISBURSEMENTS
WAYNE COUNTY HIGH SCHOOL ACTIVITY FUND
June 30, 2016

	Beginning Cash July 1, 2015	Receipts	Expenses	Ending Cash June 30, 2016
ACA Academic Club	2,588	2,912	2,202	3,298
Annual	7,646	30,255	32,925	4,976
Archery	211	3,637	3,343	505
Art Fund	23	-	23	-
Band	4,130	32,134	34,231	2,033
Baseball	4,261	7,390	8,665	2,986
Boys basketball	6,707	24,294	27,950	3,051
Beta Club	931	1,504	1,570	865
Boys Golf	-	4,151	4,151	-
Bowling	2,207	4,781	5,259	1,729
Boys Soccer	4,205	6,053	7,347	2,911
Class of 2015	73	-	-	73
Class of 2016	-	3,391	2,180	1,211
Class of 2017	-	8,460	5,217	3,243
Boys Basketball Carpet	3,006	1,732	-	4,738
Community Based Instruction	273	668	783	158
Cheerleader Budget	1,481	3,362	3,552	1,291
Coke Fund	1,071	4,333	4,511	893
Computer Repair Class	38	75	-	113
Cross County	847	19,773	16,072	4,548
Dance Team	106	4,353	4,039	420
Deca Store	83	840	704	219
Dr. Permits	475	815	-	1,290
English Department	44	-	-	44
Environmental Education	1,878	-	-	1,878
Faculty Coke Fund	323	1,015	924	414
FCA	888	5,995	4,467	2,416
FCCLA	917	5,100	5,189	828
FCA - ROTC Sp.	3,109	3,485	2,368	4,226
FFA	6,933	11,013	13,173	4,773
FFA Grant	377	2,000	-	2,377
Fishing Team	8	1,250	329	929
Football	779	66,257	62,214	4,822
Freshman Academy	491	2,462	2,433	520
Girls Basketball	1,475	20,852	21,942	385
Gifted and Talented	643	2,940	2,946	637
Greenhouse	3,501	-	-	3,501
Guidance Counselor	770	426	292	904
Girls Softball	4,794	14,690	14,287	5,197
History Club	65	-	-	65
Home Ec.	645	419	617	447
Key Club	63	-	-	63
Library	356	121	243	234

WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS AND DISBURSEMENTS (continued)
WAYNE COUNTY HIGH SCHOOL ACTIVITY FUND
June 30, 2016

	Beginning Cash <u>July 1, 2015</u>	Receipts	Expenses	Ending Cash <u>June 30, 2016</u>
Lifetouch Commission	825	7,913	4,694	4,044
Math	144	-	-	144
Marjorie Goff Scholarship	-	2,015	-	2,015
Office	130	278	204	204
Project Graduation	796	-	-	796
Basketball Programs	75	5,070	3,365	1,780
Relay for Life	-	2,419	2,073	346
ROTC FR	2,784	13,768	14,552	2,000
SADD - Unite	1,387	-	-	1,387
Scholarships	2,850	3,004	3,950	1,904
Science Olympiad	1,161	-	-	1,161
Girls Soccer	7,442	7,266	4,679	10,029
Band Spring Trip	289	-	-	289
Tennis	2,420	1,484	3,071	833
Tennis Girls	-	3,975	2,428	1,547
Track	1,195	1,350	738	1,807
Tri-M	24	-	-	24
TSA	-	1,434	1,434	-
Video Production	1,443	110	-	1,553
Volleyball	2,010	19,487	20,615	882
Wrestling	1,399	10,201	8,462	3,138
Youth Service Center	842	2,101	1,381	1,562
	<u>95,637</u>	<u>384,813</u>	<u>367,794</u>	<u>112,656</u>
Interfund Transfers	<u>-</u>	<u>1,947</u>	<u>1,947</u>	<u>-</u>
Totals	<u>\$ 95,637</u>	<u>\$ 382,866</u>	<u>\$ 365,847</u>	<u>\$ 112,656</u>

WAYNE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass - Through Grantor/ Program Title	CFDA Number	MUNIS Number	Current Year Expenses (All Projects)
U.S. Department of Education			
Passed through Kentucky			
Department of Education			
<i>Special Education Cluster (Cluster 1)</i>			
IDEA-B Basic	84.027 X	337A	250,524
IDEA-B Basic	84.027 X	337B	341,447
IDEA-B Preschool	84.173 X	343A	9,165
IDEA-B Preschool	84.173 X	343B	41,452
<i>Special Education Cluster Total</i>			<u>642,588</u>
<i>Title I Cluster (Cluster 2)</i>			
Title I	84.010 X	3104	12,628
Title I	84.010 X	310A	380,503
Title I	84.010 X	310B	1,138,767
Title I, Parent involvement	84.010 X	3104M	1,961
Title I, Parent involvement	84.010 X	310AM	8,419
Title I, Parent involvement	84.010 X	310BM	4,672
Title I - Neglected and Delinquent	84.010 X	314A	16,964
Title I - Neglected and Delinquent	84.010 X	314B	62,382
Title I-C	84.048 X	348B	22,214
<i>Title I Cluster Total</i>			<u>1,648,510</u>
Adult Education Development Funds	84.002	365B	19,670
Adult Education Staff Development	84.002	373BS	688
Adult Education Basic	84.002	373B	51,511
Title II, Teacher Quality	84.367	401A	20,097
Title II, Teacher Quality	84.367	401B	209,734
Title III-Limited English Proficiency	84.365	345A	779
Title III-Limited English Proficiency	84.365	345B	15,567
Title VI, Rural / Low Income School	84.358	350A	34,771
Title VI, Rural / Low Income School	84.358	350B	61,021
21st Century	84.287 X	550AC	58,511
21 Century	84.287 X	550AM	79,943
21st Century	84.287 X	550AW	72,474
21st Century Community Learning	84.287 X	5502M	8,290
21st Century Community Learning	84.287 X	5504	28,971
21st Century	84.287 X	5504E	1,000
21st Century	84.287 X	5504J	1,000

WAYNE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED JUNE 30, 2016

21st Century	84.287	X	5504N	1,000
21st Century	84.287	X	5504S	5,000
21st Century MS Cont	84.287	X	5504U	5,000
Gear Up, Building Academic Skills	84.334A		379A	32,604
Gear Up, Building Academic Skills	84.334A		379B	65,387
Gear Up, Creating College Pathways	84.334A		379AC	599
Gear Up, Creating College Pathways	84.334A		379BC	7,896
Gear Up, Lifting Ed. Aspirations	84.334A		379AL	211
Gear Up, Lifting Ed. Aspirations	84.334A		379BL	2,037
Gear Up, Academic Specialist	84.334A		379AS	10,273
Gear Up, Academic Specialist	84.334A		379BS	49,654
U.S. Department of Defense				
ROTC	12.000		504A	63,269
Department of Agriculture				
Passed through Kentucky Department of Education				
Child Nutrition Cluster (Cluster 3)				
National School Breakfast Program	10.553		7760005-15	785,331
National School Lunch Program	10.555		7750002-15	1,463,676
Summer Feeding	10.559		7740023-15	12,532
Fresh Fruit and Vegetable Program	10.582		7720012-15	24,728
State Admin Expenses for Child Nutrition	10.560		7740025-15	20,777
Child Nutrition Cluster Total				<u>2,307,044</u>
Non-monetary Food Donaton	10.550		510-4950	<u>151,485</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u><u>\$ 5,656,584</u></u>

X Audited as a major program under the requirements of Uniform Guidance

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal (Schedule) awards includes the federal award activity of the Wayne County School District (District) under program sof the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of the District.

WAYNE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED JUNE 30, 2016

Note B: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to a reimbursement.

Note C: Indirect Cost Rate

The District has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

Note D: Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair value of the commodities received.

Note E: Subrecipients

There were no subrecipients during the fiscal year.

Clusters:

(1) *Special Education Cluster*
(2) *Title I Cluster*

(3) *Child Nutrition Cluster*

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Kentucky State Committee for School District Audits
Members of the Board of Education
Wayne County School District
Monticello, Kentucky 42633

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with *Audits of States, Local Governments, and Non-Profit Organizations, Kentucky State Committee for School District Audits Kentucky Public School Districts' Audit Contract Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wayne County School District as of and for the year ended June 30, 2016, which collectively comprise the District's basic financial statements and have issued my report thereon dated November 7, 2016.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant defiance* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Kentucky State Committee for School Districts Audits Kentucky Public School Districts' Audit Contract Requirements*. There were additional matters communicated to the auditee in the management letter.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barry D. Daulton, CPA, PSC

Somerset, Kentucky
November 7, 2016

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Kentucky State Committee for School District Audits
Members of the Board of Education
Wayne County School District
Monticello, KY 42633

Report on Compliance for Each Major Federal Program

I have audited the Wayne County School District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section on the accompanying schedule of findings and questioned cost.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and *Kentucky State Committee for School District Audits Kentucky Public School Districts' Audit Contract Requirements*. Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In my opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the District's internal control over compliance with types of requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness and the District's internal control over compliance.

A deficiency in internal control over compliance exist when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designated to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Barry D. Daughton, CPA, PSC

Somerset, Kentucky
November 7, 2016

WAYNE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2016

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Wayne County School District.
2. Significant deficiencies or material weaknesses disclosed – none reported.
3. There are no questioned costs reported in the audit of the financial statements.
4. Instances of noncompliance material to the financial statements of Wayne County School District, which would be required to be reported in accordance with *Government Auditing Standards* – none reported. Findings required to be reported under Uniform Guidance – none reported.
5. The auditor's report on compliance for the major federal award programs for Wayne County School District expresses an unmodified opinion on all major federal programs.
6. Wayne County School District is as a low-risk auditee.
7. Major programs included: 21st Century (CFDA #84.287), Title I, Title I Parent Involvement, Title I Neglected and Delinquent (CFDA #84.010), Title I C (CFDA #84.048), IDEA B Basic (CFDA #84.027), and IDEA B Preschool (CFDA #84.173).
8. The threshold for distinguishing Type A and Type B programs was \$750,000.
9. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) – none reported.

CURRENT YEAR FINDINGS RELATED TO FINANCIAL STATEMENTS

None

CURRENT FINDINGS AND QUESTIONED COST RELATED TO FEDERAL AWARDS

None

WAYNE COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2016

There are no prior audit findings.

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MANAGEMENT LETTER

Superintendent and Members of the Board of Education
Wayne County School District
Monticello, Kentucky 42633

In planning and performing my audit of the financial statements of Wayne County School District for the year ended June 30, 2016, I considered the District's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during my audit, I became aware of some matters that are opportunities to strengthen internal controls and operate in a more efficient manner.

PRIOR YEAR UNCORRECTED CONDITIONS

Condition 1

Statement of Condition: The Purchase Order date was after the vendor receipt date in the High School activity fund on several of the disbursements tested.

Criteria for Condition: A Purchase Order (Form F-SA-7) should always be used to initiate a purchase, including for independent contractors and reimbursements to district employees. The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated. The purchase order is filed with the school treasurer after the order is placed.

Cause of the Condition: Some purchases are being made without getting approval and a Purchase Order is being completed.

Effect of the Condition: Activity fund monies are susceptible to misuse without a proper approval process in place.

Recommendation: Complete and approve a Purchase Order (Form F-SA-7) as described in the criteria above before a purchase is initiated.

Comment: Management will try hard to comply in the future with Redbook rules on Purchase Orders.

Condition 2

Statement of Condition: The Principal's Combining Budget was completed late at Bell Elementary and Monticello Elementary.

Criteria for Condition: The principal shall prepare the Principal's Combining Budget (Form F-SA-3) which is due to the district finance officer by May 15.

Cause of the Condition: The budget was prepared and approved after the May 15th deadline.

Effect of the Condition: Without a budget in place, there is no guideline for the school on what monies to have coming in and going out.

Recommendation: Prepare and approve a budget and turn in to the district finance officer by May 15th before the new school year begins.

Comment: Management will comply in the future.

Condition 3

Statement of Condition: Fundraiser Approval form was not completed correctly and Fundraiser Worksheet was not used for a fundraiser held at Bell Elementary.

Criteria for Condition: The local board shall approve all school-wide fundraisers, including the proposed use of funds. The Fundraiser Approval (Form F-SA-2A) shall be completed before the fundraiser begins. The principal shall approve all other fundraisers in the school including the proposed use of funds. The same Fundraiser Approval (Form F-SA-2A) shall be completed before the fundraiser begins. Fundraisers where items are sold require the use of the Fundraiser Worksheet (Form F-SA-2B), which is used to recap the profitability of a fundraiser sales cycle. The activity fund sponsor shall complete the Fundraiser Worksheet (Form F-SA-2B) and forward the report to the principal for review and filing within one week of the completion of the fundraising period or event.

Cause of the Condition: Failure to properly complete and turn Fundraiser Approval forms and Fundraiser worksheets for all fundraisers held.

Effect of the Condition: Without knowledge and accountability for each fundraiser, fundraiser monies collected for the benefit of the school are more susceptible to theft and / or misuse.

Recommendation: The sponsor of the fundraiser shall complete the Fundraiser Approval form and get it signed and approved by the principle. After completion of the fundraiser, the sponsor shall complete the Fundraiser Worksheet, which shows all monies receipted and expended for the fundraiser, to the principal within one week of the completion of the fundraising period or event.

Comment: Management will try harder to comply in the future but often times find it difficult to get the sponsors to complete and turn in the required reports.

Condition 4

Statement of Condition: The PTO did not submit a Budget, insurance papers and did not submit any form of financial reporting (i.e. Financial or bank statements) to the school treasurer at Walker Early Learning Center.

Criteria for Condition: Each external support/booster organization must submit an annual External Support/Booster Organization Budget Worksheet (Form F-SA-4B) to the principal within the first thirty days of the school year or within thirty days of the first transaction of the group and must submit an annual financial report for the fiscal year ending June 30 to the principal by July 15. All external support/booster organizations are required to carry separate insurance for general liability with the appropriate coverage to operate their organization and proof of this insurance coverage must be submitted to the principal prior to commencing any fundraising activities.

Cause of the Condition: School treasurers state that it is very difficult to get these outside organizations to submit the required documentation to them.

Effect of the Condition: Without knowledge and accountability for each outside organization, monies collected for the benefit of the school are more susceptible to theft and / or misuse.

Recommendation: The person in charge of the outside organization shall submit all required documentation in a timely manner to the school treasurer.

Comment: Management will try to obtain this information in the future but finds it very difficult in some cases.

CURRENT YEAR CONDITIONS

Condition 1

Statement of Condition: Multiple Receipts are being used for every receipt and are not always completed correctly. Often there are no names on the Multiple Receipts, just totals of cash and coins. Students third grade and higher are not always signing the Multiple Receipt Form as required by Redbook. This is occurring at Walker Early Learning Center, Bell Elementary and Monticello Elementary.

Criteria for Condition: Teachers, Sponsors and students shall use the Multiple Receipt Form (Form F-SA-6) when collecting money. Students third grade and above must sign the Multiple Receipt Form. A copy of the Multiple Receipt Form shall be retained by the teacher or sponsor and the original shall be given to the school treasurer.

Cause of the Condition: Multiple Receipt Forms are not always being used properly.

Effect of the Condition: Without the proper use of Multiple Receipt Forms, it is difficult to prove whom paid money to the school and how much was collected.

Recommendation: Teachers and sponsors shall use Multiple Receipt Form (Form F-SA-6) when collecting money from multiple students as required in Redbook. All student third grade and higher shall sign the Multiple Receipt Form.

Comment: Management will review Redbook guidelines on when a Multiple Receipt Form is required and how to properly complete it.

Condition 2

Statement of Condition: At Walker Early Learning Center the account clerk was able to transfer funds from her personal bank account to the school activity fund bank account online. This was done in error and unintentional.

Criteria for Condition: No transfer or reimbursements are allowed from the school activity fund to staff accounts.

Cause of the Condition: Staff bank accounts and school activity fund bank account was accessible with the same login credentials and with transfer capabilities.

Effect of the Condition: Staff accidentally transferred money from her personal bank account to the school activity fund bank account.

Recommendation: The account clerk's personal bank accounts and the school activity fund bank account should not be accessible with the same login credentials and should never have transfer capabilities.

Comment: This error was corrected the next business day when she realized what had happened. The school activity fund bank account is accessible online but as a "read only" status, thus no transfer capabilities.

Condition 3

Statement of Condition: The Purchase Order date was after the vendor receipt date at the Board of Education on several of the Disbursements tested.

Criteria for Condition: A Purchase Order should be used to initiate a purchase, including for independent contractors and reimbursements to district employees. The purchase order shall be prepared and approved before the payment is obligated.

Cause of the Condition: Purchase Orders are being prepared after the purchase is complete.

Effect of the Condition: District monies are susceptible to misuse without a proper approval process in place.

Recommendation: Complete and approve a Purchase Order as described in the criteria above before a purchase is initiated.

Comment: Management will comply in the future.

I have reported on the Districts internal control structure in my report dated November 7, 2016. This letter does not affect my report dated November 7, 2016 on the financial statements of Wayne County School District.

I will review the status of these comments during my next audit engagement. I have already discussed these comments and suggestion with District personnel, and will be pleased to discuss them in further detail at your convenience, to perform an additional study of this matter, or assist the District with implementation of recommendation.

This report is intended solely for the information and use of the Board, management, Kentucky Department of Education, Kentucky State Committee for School Districts Audits, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Barry D. Daulton, CPA, PSC

Barry D. Daulton, CPA, PSC